

CERTIFICATE OF NEED APPLICATION

Bethesda Southgate

Add 12 SNF Beds

Project #4437 NS

Submitted to

Missouri Health Facilities Review Committee



Certificate of Need Program

NEW OR ADDITIONAL LONG TERM CARE BED APPLICATION*

Applicant's Completeness Checklist and Table of Contents

Project Name Bethesda Southgate

No. 4437 NS

Project Description SNF Expansion

Done Page N/A Description of CON Rulebook Contents

Divider I. Application Summary:

- | | |
|--|--|
| <input checked="" type="checkbox"/> <u>1, 2</u> | <input type="checkbox"/> 1. Applicant Identification and Certification (Form MO 580-1861). |
| <input checked="" type="checkbox"/> <u>1,3,4</u> | <input type="checkbox"/> 2. Representative Registration (Form MO 580-1869). |
| <input checked="" type="checkbox"/> <u>1,5,6</u> | <input type="checkbox"/> 3. Proposed Project Budget (Form MO 580-1863) and detail sheet. |

Divider II. Proposal Description:

- | | |
|---|--|
| <input checked="" type="checkbox"/> <u>7</u> | <input type="checkbox"/> 1. Provide a complete detailed project description. |
| <input checked="" type="checkbox"/> <u>7,11</u> | <input type="checkbox"/> 2. Provide a legible city or county map showing the exact location of the proposed facility. |
| <input checked="" type="checkbox"/> <u>8,12</u> | <input type="checkbox"/> 3. Provide a site plan for the proposed project. |
| <input checked="" type="checkbox"/> <u>8,13</u> | <input type="checkbox"/> 4. Provide preliminary schematic drawings for the proposed project. |
| <input checked="" type="checkbox"/> <u>8,14</u> | <input type="checkbox"/> 5. Provide evidence that architectural plans have been submitted to the DHSS. |
| <input checked="" type="checkbox"/> <u>8</u> | <input type="checkbox"/> 6. Provide the proposed gross square footage. |
| <input checked="" type="checkbox"/> <u>8,15,16</u> | <input type="checkbox"/> 7. Document ownership of the project site, or provide an option to purchase. |
| <input checked="" type="checkbox"/> <u>8</u> | <input type="checkbox"/> 8. Define the community to be served. |
| <input checked="" type="checkbox"/> <u>8,17-22</u> | <input type="checkbox"/> 9. Provide 2015 population projections for the 15-mile radius service area. |
| <input checked="" type="checkbox"/> <u>9</u> | <input type="checkbox"/> 10. Identify specific community problems or unmet needs the proposal would address. |
| <input checked="" type="checkbox"/> <u>9</u> | <input type="checkbox"/> 11. Provide historical utilization for each of the past three years and utilization projections through the first three years of operation of the new LTC beds. |
| <input checked="" type="checkbox"/> <u>9</u> | <input type="checkbox"/> 12. Provide the methods and assumptions used to project utilization. |
| <input checked="" type="checkbox"/> <u>9,23</u> | <input type="checkbox"/> 13. Document that consumer needs and preferences have been included in planning this project and describe how consumers had an opportunity to provide input. |
| <input checked="" type="checkbox"/> <u>10,24-30</u> | <input type="checkbox"/> 14. Provide copies of any petitions, letters of support or opposition received. |

Divider III. Service Specific Criteria and Standards:

- | | |
|---|---|
| <input checked="" type="checkbox"/> <u>31,33-34</u> | <input type="checkbox"/> 1. For ICF/SNF beds, address the population-based bed need methodology of fifty-three (53) beds per one thousand (1,000) population age sixty-five (65) and older. |
| <input type="checkbox"/> <u>—</u> | <input checked="" type="checkbox"/> 2. For RCF/ALF beds, address the population-based bed need methodology of sixteen (16) beds per one thousand (1,000) population age sixty-five (65) and older. |
| <input type="checkbox"/> <u>—</u> | <input checked="" type="checkbox"/> 3. Document any alternate need methodology used to determine the need for additional beds such as LTCH, Alzheimer's, mental health or other specialty beds. |
| <input type="checkbox"/> <u>—</u> | <input checked="" type="checkbox"/> 4. For any proposed facility which is designed and operated exclusively for persons with acquired human immunodeficiency syndrome (AIDS) provide information to justify the need for the type of beds being proposed. |

Divider IV. Financial Feasibility Review Criteria & Standards:

- | | |
|---|---|
| <input checked="" type="checkbox"/> <u>35</u> | <input type="checkbox"/> 1. Document that the proposed costs per square foot are reasonable when compared to the latest "RS Means Construction Cost data". |
| <input checked="" type="checkbox"/> <u>35-36</u> | <input type="checkbox"/> 2. Document that sufficient financing is available by providing a letter from a financial institution or an auditors statement indicating that sufficient funds are available. |
| <input checked="" type="checkbox"/> <u>35,37-38</u> | <input type="checkbox"/> 3. Provide Service-Specific Revenues and Expenses (Form MO 580-1865) for the latest three (3) years, and projected through three (3) years beyond project completion. |
| <input checked="" type="checkbox"/> <u>35</u> | <input type="checkbox"/> 4. Document how patient charges were derived. |
| <input checked="" type="checkbox"/> <u>35,39-44</u> | <input type="checkbox"/> 5. Document responsiveness to the needs of the medically indigent. |

* Use for RCF/ALF, ICF/SNF and LTCH beds

DIVIDER I: Application Summary

- 1. Applicant Identification and Certification (Form MO 580-1861)**

Attached.

- 2. Representative Registration (Form MO 580-1869)**

Attached.

- 3. Proposed Project Budget (Form MO 580-1863) and detail sheet.**

Attached.



Certificate of Need Program

APPLICANT IDENTIFICATION AND CERTIFICATION

(must match the **Letter of Intent** for this project, without exception)

1. Project Location (attach additional pages as necessary to identify multiple project sites.)

Title of Proposed Project Bethesda Southgate SNF Expansion	Project Number 4437 NS
Project Address (Street/City/State/Zip Code) 5943 Telegraph Road Oakville, MO 63129-4715	County St. Louis

2. Applicant Identification (information must agree with previously submitted Letter of Intent)

List All Owner(s): <small>(list corporate entity)</small>	Address (Street/City/State/Zip Code)	Telephone Number
Bethesda Long Term Care, Inc.	1630 Des Peres Road St. Louis, MO 63131	314-800-1900
List All Operator(s): <small>(list entity to be licensed or certified)</small>	Address (Street/City/State/Zip Code)	Telephone Number
Bethesda Long Term Care, Inc.	1630 Des Peres Road St. Louis, MO 63131	314-800-1900

3. Ownership (Check applicable category)

<input checked="" type="checkbox"/> Nonprofit Corporation	<input type="checkbox"/> Individual	<input type="checkbox"/> City	<input type="checkbox"/> District
<input type="checkbox"/> Partnership	<input type="checkbox"/> Corporation	<input type="checkbox"/> County	<input type="checkbox"/> Other: _____

4. Certification:

In submitting this project application, the applicant understands that:

- (A) The review will be made as to the community need for the proposed beds or equipment in this application;
- (B) In determining community need, the Missouri Health Facilities Review Committee (Committee) will consider all similar beds or equipment within;
- (C) The issuance of a Certificate of Need (CON) by the Committee depends on conformance with its Rules and CON statute;
- (D) A CON shall be subject to forfeiture for failure to incur an expenditure on any approved project six (6) months after the date of issuance, unless obligated or extended by the Committee for an additional six (6) months;
- (E) Notification will be provided to the CON Program staff if and when the project is abandoned; and
- (F) A CON, if issued, may not be transferred, relocated, or modified except with the consent of the Committee.

We certify the information and data in this application as accurate to the best of our knowledge and belief by our representative's signature below:


5. Authorized Contact Person (attach a Contact Person Correction Form if different from the Letter of Intent)

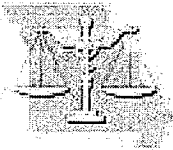
Name of Contact Person Richard D. Watters	Title Attorney	
Telephone Number 314-621-2939	Fax Number 314-621-6844	E-mail Address rdwatters@lashlybaer.com
Signature of Contact Person 		Date of Signature 12/16/09



Certificate of Need Program

REPRESENTATIVE REGISTRATION(A registration form must be completed for **each** project represented)

Project Name Bethesda Southgate SNF Expansion		Number 4437 NS																				
(Please type or print legibly)																						
Name of Representative Richard D. Watters		Title Attorney																				
Firm/Corporation/Association of Representative (may be different from below, e.g., law firm, consultant, other) Lashly & Baer, PC		Telephone Number 314-621-2939																				
Address (Street/City/State/Zip Code) 714 Locust St. Louis, MO 63101																						
Who's interests are being represented? (If more than one, submit a separate Representative Registration Form for each.)																						
Name of Individual/Agency/Corporation/Organization being Represented Bethesda Long Term Care, Inc.		Telephone Number 314-800-1900																				
Address (Street/City/State/Zip Code) 1630 Des Peres Road St. Louis, MO 63131																						
<table border="0"><tr><td>Check one. Do you:</td><td>Relationship to Project:</td></tr><tr><td><input checked="" type="checkbox"/> Support</td><td><input type="checkbox"/> None</td></tr><tr><td><input type="checkbox"/> Oppose</td><td><input type="checkbox"/> Employee</td></tr><tr><td><input type="checkbox"/> Neutral</td><td><input checked="" type="checkbox"/> Legal Counsel</td></tr><tr><td></td><td><input type="checkbox"/> Consultant</td></tr><tr><td></td><td><input type="checkbox"/> Lobbyist</td></tr><tr><td></td><td><input type="checkbox"/> Other (explain):</td></tr><tr><td>Other information:</td><td></td></tr><tr><td>_____</td><td>_____</td></tr><tr><td>_____</td><td>_____</td></tr></table>			Check one. Do you:	Relationship to Project:	<input checked="" type="checkbox"/> Support	<input type="checkbox"/> None	<input type="checkbox"/> Oppose	<input type="checkbox"/> Employee	<input type="checkbox"/> Neutral	<input checked="" type="checkbox"/> Legal Counsel		<input type="checkbox"/> Consultant		<input type="checkbox"/> Lobbyist		<input type="checkbox"/> Other (explain):	Other information:		_____	_____	_____	_____
Check one. Do you:	Relationship to Project:																					
<input checked="" type="checkbox"/> Support	<input type="checkbox"/> None																					
<input type="checkbox"/> Oppose	<input type="checkbox"/> Employee																					
<input type="checkbox"/> Neutral	<input checked="" type="checkbox"/> Legal Counsel																					
	<input type="checkbox"/> Consultant																					
	<input type="checkbox"/> Lobbyist																					
	<input type="checkbox"/> Other (explain):																					
Other information:																						
_____	_____																					
_____	_____																					
<p>I attest that to the best of my belief and knowledge the testimony and information presented by me is truthful, represents factual information, and is in compliance with §197.326.1 RSMo which says: Any person who is paid either as part of his normal employment or as a lobbyist to support or oppose any project before the health facilities review committee shall register as a lobbyist pursuant to chapter 105 RSMo, and shall also register with the staff of the health facilities review committee for every project in which such person has an interest and indicate whether such person supports or opposes the named project. The registration shall also include the names and addresses of any person, firm, corporation or association that the person registering represents in relation to the named project. Any person violating the provisions of this subsection shall be subject to the penalties specified in §105.478, RSMo.</p>																						
Original Signature 		Date 12/16/09																				



Certificate of Need Program

REPRESENTATIVE REGISTRATION(A registration form must be completed for **each** project represented)

Project Name Bethesda Southgate SNF Expansion		Number 4437 NS
(Please type or print legibly)		
Name of Representative Margaret C. Scavotto		Title Attorney
Firm/Corporation/Association of Representative (may be different from below, e.g., law firm, consultant, other) Lashly & Baer, PC		Telephone Number 314-621-2939
Address (Street/City/State/Zip Code) 714 Locust St. Louis, MO 63101		
Who's interests are being represented? (If more than one, submit a separate Representative Registration Form for each.)		
Name of Individual/Agency/Corporation/Organization being Represented Bethesda Long Term Care, Inc.		Telephone Number 314-800-1900
Address (Street/City/State/Zip Code) 1630 Des Peres Road St. Louis, MO 63131		

Check one. Do you:

☒ Support☐ Oppose☐ Neutral

Relationship to Project:

☐ None☐ Employee☒ Legal Counsel☐ Consultant☐ Lobbyist☐ Other (explain):

Other information:

I attest that to the best of my belief and knowledge the testimony and information presented by me is truthful, represents factual information, and is in compliance with §197.326.1 RSMo which says: Any person who is paid either as part of his normal employment or as a lobbyist to support or oppose any project before the health facilities review committee shall register as a lobbyist pursuant to chapter 105 RSMo, and shall also register with the staff of the health facilities review committee for every project in which such person has an interest and indicate whether such person supports or opposes the named project. The registration shall also include the names and addresses of any person, firm, corporation or association that the person registering represents in relation to the named project. Any person violating the provisions of this subsection shall be subject to the penalties specified in §105.478, RSMo.

Original Signature 	Date 14 Dec. 2009
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MO 580-1869 (11-01)



Certificate of Need Program

PROPOSED PROJECT BUDGET

Description

Dollars

COSTS:*

1. New Construction Costs ***	\$1,245,200
2. Renovation Costs ***	0
3. Subtotal Construction Costs (#1 plus #2)	\$1,245,200
4. Architectural/Engineering Fees	\$82,500
5. Other Equipment (not in construction contract)	150,000
6. Major Medical Equipment	0
7. Land Acquisition Costs ***	0
8. Consultants' Fees/Legal Fees ***	5,500
9. Interest During Construction (net of interest earned) ***	0
10. Other Costs ****	0
11. Subtotal Non-Construction Costs (sum of #4 through #10)	\$238,000
12. Total Project Development Costs (#3 plus #11)	\$1,483,200 **

FINANCING:

13. Unrestricted Funds	\$1,483,200
14. Bonds	0
15. Loans	0
16. Other Methods (specify)	0
17. Total Project Financing (sum of #13 through #16)	\$1,483,200 **

18. New Construction Total Square Footage	6,629
19. New Construction Costs Per Square Foot *****	188
20. Renovated Space Total Square Footage	0
21. Renovated Space Costs Per Square Foot *****	0

* Attach additional page(s) to provide details of how each line item was determined, including all methods and assumptions used.

** These amounts should be the same.

*** Capitalizable items to be recognized as capital expenditures after project completion.

**** Include as Other Costs the following: other costs of financing; the value of existing lands, buildings and equipment not previously used for health care services, such as a renovated house converted to residential care, determined by original cost, fair market value, or appraised value; or the fair market value of any leased equipment or building, or the cost of beds to be purchased.

***** Divide new construction costs by total new construction square footage.

***** Divide renovation costs by total renovation square footage.

Proposed Project Budget Detail Sheet

1. New Construction Costs. \$1,245,200 represents the total new construction costs of the approximately 6,630 square foot, 12-bed addition.
4. Architectural/Engineering Fees. \$82,500 represents all architectural, mechanical, electrical, plumbing, and civil engineering fees.
5. Other Equipment. \$150,000 will be used to purchase furniture, fixtures, and equipment.
8. Consultants' Fees/Legal Fees. \$5,500 includes legal fees paid for contractual review and development, and owner representative construction management.

DIVIDER II: Proposal Description

1. Provide a complete detailed project description.

Bethesda Long Term Care, Inc. d/b/a Bethesda Southgate is located at 5943 Telegraph Road in the city of Oakville and is bordered by the neighboring communities of Mehlville, Arnold, and Fenton. It has operated as a skilled nursing facility since the 1960's and obtained Medicare certification for 24 beds in 2003. Bethesda Long Term Care, Inc.'s parent organization is Bethesda Health Group, Inc., established in 1889. Applicant's Oakville campus comprises Bethesda Southgate (the skilled nursing facility that is the subject of this application), and Bethesda Terrace (an independent living community). Concurrent with this application, Applicant is also filing an application seeking approval to add assisted living services to the Oakville campus—forming a complete continuing care retirement center.

Applicant proposes to expand its existing 180 bed skilled nursing facility to 192 beds by adding 12 additional short-term rehabilitation skilled nursing beds to its Medicare certified rehabilitation service—which currently has 24 short-term rehabilitation beds in 12 semi-private rooms.

The rehabilitation service will focus on short-stay, sub-acute care for recently hospitalized patients who need extended therapy services or other special care. These short-stay residents were traditionally kept in hospital-sponsored skilled nursing facilities. In the last ten years, at least eight hospitals in the Saint Louis Metropolitan area have closed their skilled nursing facilities. In contrast, utilization of Applicant's rehabilitation service has steadily increased over the past three years (from 6435 patient days in Fiscal Year 2007 to 7139 patient days in Fiscal Year 2009). During the past two years, Applicant was required to refuse admission to numerous potential rehabilitation residents, due to the constraints of semi-private rooms. Many patients cannot be paired in a semi-private room, due to their medical conditions or their gender. Due to these limitations posed by semi-private rooms, Applicant's 85% occupancy rate over the past two years represents full capacity. The limitations of semi-private rooms, and the growing consumer demand for private rooms, led Applicant to re-design its rehabilitation service, using all private rooms.

The rehabilitation patients staying in these 12 new skilled nursing beds will also be able to use the renovated facilities and services discussed in Applicant's renovation/modernization application (#4451 NS): a rehabilitation therapy area with physical therapy, speech therapy and language therapy services; a dining room separate from the long term care population; and activity space.

2. Provide a legible city or county map showing the exact location of the proposed facility.

Please see attached map.

3. Provide a site plan for the proposed project.

Please see attached.

4. Provide preliminary schematic drawings for the proposed project.

Please see attached. The 36 skilled nursing beds in Applicant's Medicare certified rehabilitation service (the 12 additional beds that are the subject of this Application, and the 24 existing beds that Applicant will move to private rooms) are shown on the lower part of the building. The other portions of this drawing represent the assisted living service; the skilled nursing renovation and modernization project; and the existing long term care skilled nursing service.

5. Provide evidence that architectural plans have been submitted to the DHSS.

Please see attached letter from Dennis D. Smith, Consulting Engineer for the Missouri Department of Health and Senior Services, acknowledging receipt of the preliminary architectural plans.

6. Provide the proposed gross square footage.

The total gross square footage is 6629.

7. Document ownership of the project site, or provide an option to purchase.

Please see attached General Warranty Deed.

8. Define the community to be served.

With a South Saint Louis County location in the center of the neighboring communities of Mehlville, Fenton, and Arnold, Applicant expects to serve residents from those communities, as well as the surrounding communities of Saint Louis and Jefferson Counties. The majority of residents typically come from the South County area. Residents of the independent living facility on campus, Bethesda Terrace, will use the short-term rehabilitation service as well. In addition, once Applicant completes building an assisted living facility on this campus, assisted living residents will be able to use these short-stay rehabilitation beds without having to leave the campus. This will be a true Continuing Care Retirement Community for the senior citizens living at Bethesda's Oakville campus.

9. Provide 2015 population projections for the 15-mile radius service area.

Please see attached.

10. Identify specific community problems or unmet needs the proposal would address.

The decrease in hospital-sponsored skilled nursing rehabilitation facilities in the Saint Louis metropolitan area has left a need for short-term rehabilitation skilled nursing services. See letter of support from Janis McGillick, MA, LNHA, Education Director of the St. Louis Alzheimer's Association, St. Louis Chapter ("There is a growing need for rehabilitation...communities in south suburban St. Louis"). For example, there is only one other nursing home in the same zip code as Bethesda Southgate: Nazareth Living Center, which is approximately 10 miles away and only has 25 Medicare certified beds available. The total occupancy rate at this facility is consistently over 90%. Applicant's rehabilitation service typically runs at capacity—and Applicant has had to turn potential rehabilitation residents away. See letter of support from Ursula Shaner, BSN, RN, Geriatric Care Manager with Elder Support Services, Inc., who recommends Applicant's services to seniors, and wrote that Bethesda Southgate's skilled nursing service is usually at full capacity.

In addition, short-term rehabilitation facilities, like Bethesda Southgate, are a cost-effective alternative when skilled nursing care is not required. See letter of support from Janis McGillick. By expanding its Medicare certified rehabilitation service, more patients will be able to access skilled care on a short-term basis—and then return to their homes.

11. **Provide historical utilization for each of the past three years and utilization projections through the first three years of operation of the new LTC beds.**

Historical Utilization

FY2007	FY2008	FY2009
56,631	55,038	55,638

Projected Utilization

FY2011	FY2012	FY2013
59,495	61,685	61,685

12. **Provide the methods and assumptions used to project utilization.**

When projecting utilization for the first three years of operation, Applicant considered the historical census and current census trends, as well as anticipated community needs for short-term rehabilitation care, and utilization trends at Applicant's similar facilities. For the twelve additional skilled nursing beds, Applicant predicts an occupancy rate of 85% by the end of Fiscal Year 2011, reaching 88% by the end of Fiscal Year 2013.

13. **Document that consumer needs and preferences have been included in this project and describe how consumers had an opportunity to provide input.**

Formal satisfaction surveys are conducted at least annually to determine resident and/or family needs and preferences. Additionally, information is gathered by conducting one-

on-one meetings with families and staff. The Administrator is consistently available to residents, families and staff to hear their feedback. This consumer feedback contributed to Applicant's decision to expand its rehabilitation service, and to the design of the project.

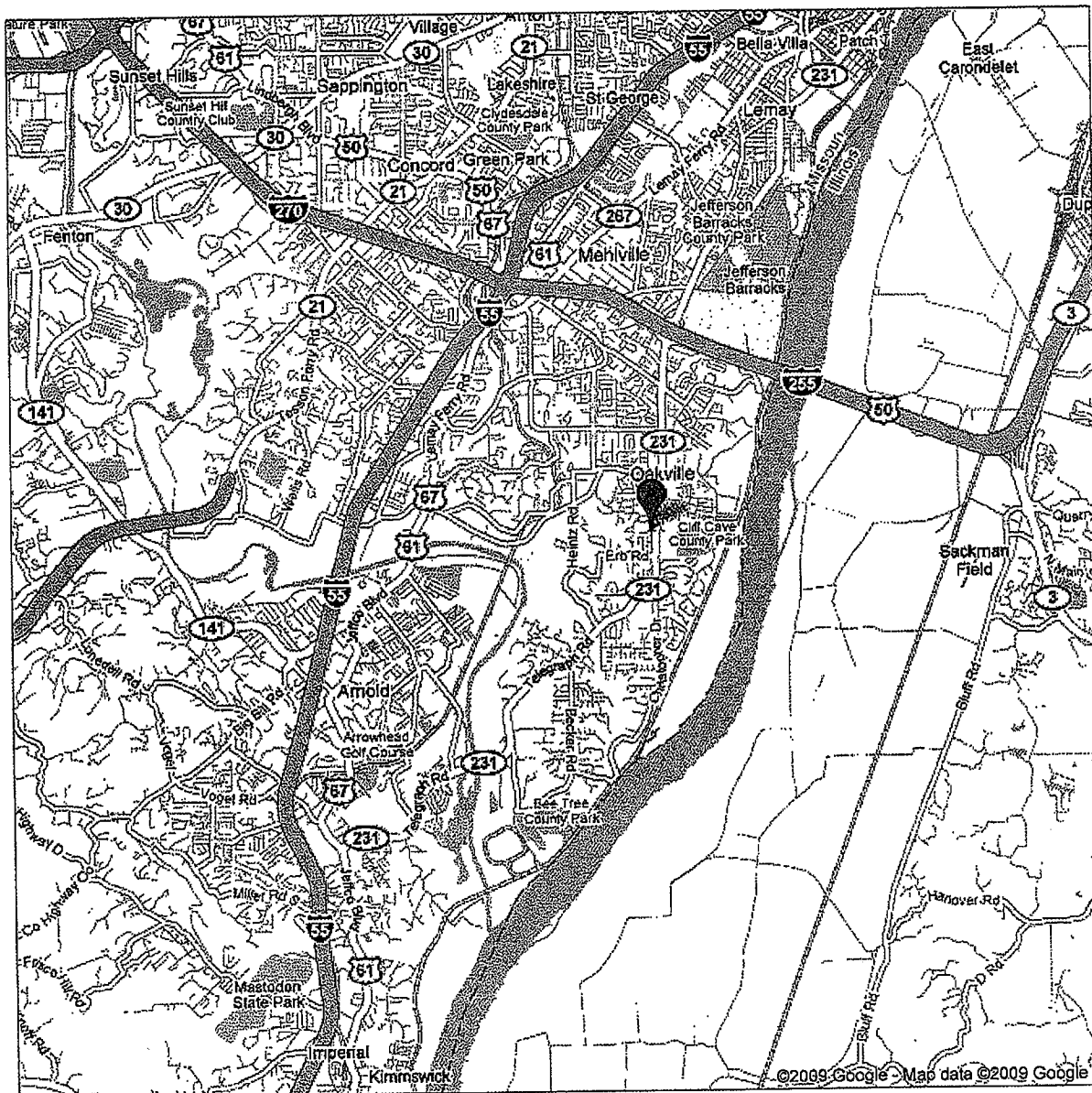
A notice of this project was also published in the Suburban Journal. A copy of the notice is attached.

14. Provide copies of any petitions, letters of support or opposition received.

Letters of support are attached. Additional letters will be forwarded to the Committee as they are received.

Address **5943 Telegraph Rd**
St Louis, MO 63129

Text the word "GMAPS" to 466453



GRAY DESIGN GROUP

15 Seven Drive, Suite 110
St. Louis, Missouri 63115
Fax: 314-664-0100
Telephone: 314-664-0400
www.graydesigngroup.com

Date	Description	Drawn
06/22/2009	Final Design	John Wagner
06/22/2009	Final Design	John Wagner
06/22/2009	Final Design	John Wagner
06/22/2009	Final Design	John Wagner

BETHESDA HEALTH GROUP
Layout For
SOUTHGATE EXPANSION
5943 Telegraph Road Saint Louis, Missouri 63120



gray.

NOT FOR
CONSTRUCTION
A1

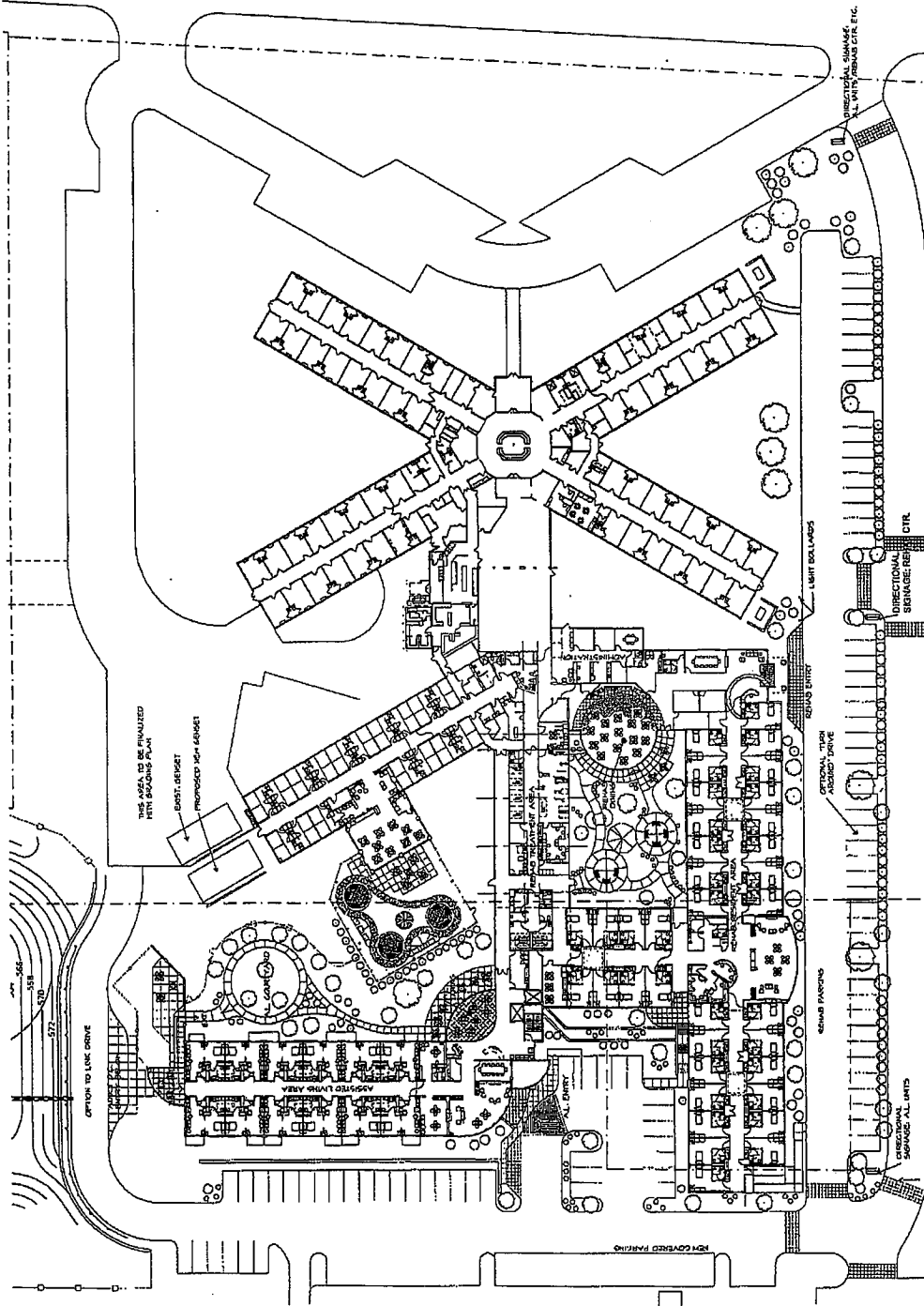
Authorization Block

The signature block of the design professional is required for all construction documents. The design professional is responsible for the design and construction of the project. The design professional is responsible for the design and construction of the project. The design professional is responsible for the design and construction of the project.

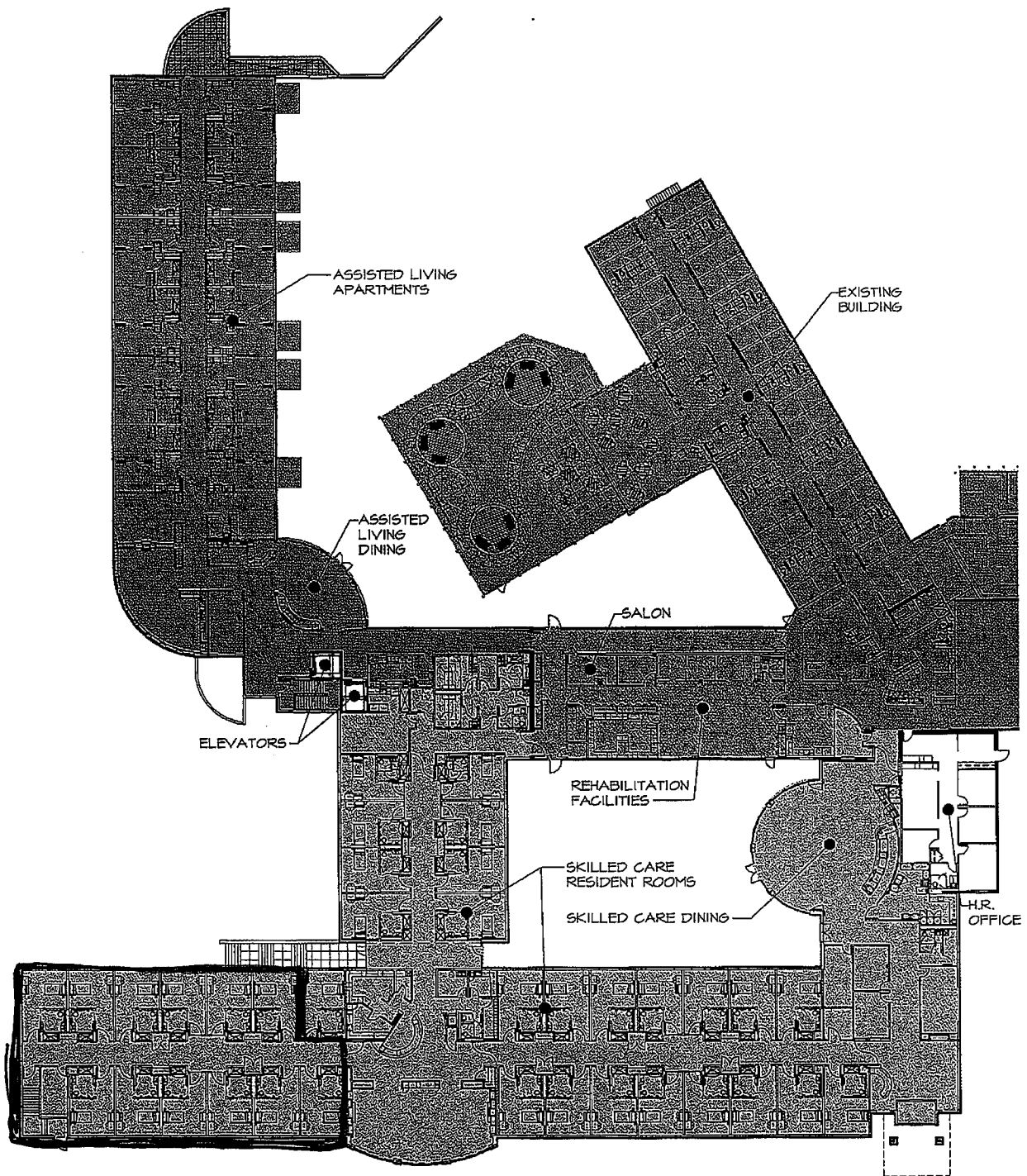
Signature

AREA LEGEND

- REAR RESIDENT AREA
3,000 SF.
- REAR RESIDENT AREA
3,000 SF.
- ADJACENT LIVING AREA
1,000 SF. UPPER FLOOR SF. LOWER
- SERVICE AREA
1,000 SF.
- ADMINISTRATIVE OFFICE
1,000 SF.
- GRAND TOTAL: 30,000 SF.



SITE MASTER PLAN
SCALE 1/4\"/>



MAIN LEVEL PRICING BREAKOUT PLAN

SCALE: 1/32" = 1'-0"

NOTE:
SEE PBP-A2
FOR LEGEND

Project Name	Bethesda Southgate	Drawing	PBP-A1
Project No.	270108232.00	Date	10.28.09
Description	Pricing Breakout Plan	Revisions	.

gray.

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Missouri Department of Health and Senior Services

P.O. Box 570, Jefferson City, MO 65102-0570 Phone: 573-751-8400 FAX: 573-751-8010
RELAY MISSOURI for Hearing and Speech Impaired 1-800-735-2866 VOICE 1-800-735-2466

Margaret T. Donnelly
Director



Jeremiah W. (Jay) Nixon
Governor

September 22, 2009

Major Don J. Cognata
Bethesda Health Group, Inc.
1630 Des Peres Road, Suite 290
St. Louis, MO 63131-1800

RE: New Building, 12 New Beds Skilled, 18 New Beds Assisted
Southgate
St. Louis, MO
NH-2280

Dear Mr. Cognata:

Preliminary drawings were reviewed in this office on September 16, 2009. The following items should be considered when developing final plans:

1. Verify that all smoke compartments are less than 150 foot long in either direction.
2. One window in each bedroom to be operable.
3. Provide one hand sink and one toilet per 10 participants. This facility will have 25 participants; therefore, an additional hand sink will be required.
4. Exterior walls less than 30 feet from an adjacent building will have a 2-hour fire wall, or the wall is one-hour rated and provided with sprinkler protection for each window.

Sincerely,

Dennis D. Smith
Consulting Engineer

cc: Mary Collier, Region 7
Al Poelker, Bethesda Health Group, Inc., 1630 Des Peres Road, Suite 290, St. Louis, MO
63131-1800

www.dhss.mo.gov

Healthy Missourians for life.

The Missouri Department of Health and Senior Services will be the leader in promoting, protecting and partnering for health.

AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER: Services provided on a nondiscriminatory basis

GENERAL WARRANTY DEED

THIS DEED, made and entered into this 22 day of JUNE, 2001, by and between

BETHESDA HEALTH GROUP, INC., a Missouri not for profit corporation,
of the County of St. Louis, State of Missouri, party of the first part, and

BETHESDA LONG TERM CARE, INC., a Missouri not for profit corporation,
whose post office address is 1630 Des Peres Road, Suite 290, St. Louis, Missouri 63131
of the County of St. Louis, State of Missouri, party of the second part.

Witnesseth, that the said of the first part, for and in consideration of the sum of One Dollar and other valuable considerations paid by the said party of the second part, the receipt of which is hereby acknowledged, does by these presents Grant, Bargain and Sell, Convey and Confirm unto the said party of the second part, the following described Real Estate, situated in the County of St. Louis and State of Missouri, to-wit:

Parcels 1 and 2 of the resubdivision of Southgate, according to the plat thereof recorded in plat book 225 page 76 of the St. Louis County, Missouri, records. ✓

Together with all buildings, improvements, fixtures and other real property located thereon, together with the easements, rights-of-way, rights of access, tenements, hereditaments, appurtenances, rights, privileges and immunities thereto belonging or appertaining, together with all after-acquired property and any replacements, substitutions or additions of any kind whatsoever, including all right, title and interest of the party of the first part in and to any streets or ways adjoining said premises.

Subject to easements, conditions, and restrictions of record, if any.

To Have and to Hold the same, together with all rights and appurtenances to the same belonging, unto the said party of the second part, and to its successors and assigns forever. The said party of the first part hereby covenanting that it and its successors and assigns shall and will Warrant and Defend the title to the premises unto the said of the second part, and to its successors and assigns forever against the lawful claims of all persons whomsoever, excepting, however, the general taxes for the calendar year 2001 and thereafter, and the special taxes becoming a lien after the date of this deed.

In Witness Whereof, the said party of the first part has hereunto set its hand the day and year first above written.

BETHESDA HEALTH GROUP, INC.

By: 
John W. Rowe, President

STATE OF MISSOURI

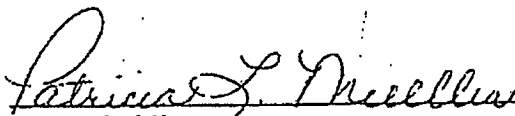
)
)SS.

COUNTY OF ST. LOUIS

)

On this 22 day of June, 2001, before me, a Notary Public, personally appeared John W. Rowe, to me known to be the President of Bethesda Health Group, Inc., and who executed the foregoing in my presence and who acknowledged that his execution thereof was authorized by the Board of Directors of said corporation and that he executed the same for and on behalf of the corporation for the purposes therein stated.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the County and State aforesaid, the day and year first above written.


Notary Public

My Commission Expires:

<p>PATRICIA L. MUELLER Notary Public - Notary Seal STATE OF MISSOURI Franklin County My Commission Expires: Feb. 22, 2005</p>

Bethesda Southgate Oakville (63129)

Zip Code	15-mile Effect	Total 65+ Zip pop	Cities in overlap in/out of radius	Overlap		Zip Pop		% Area		Inside pop		City Pop		Total pop
				City pop	WO Cities	WO Cities	Inside	WO Cities	Inside	WO Cities	Inside	WO Cities	Inside	
63010	inside	5,713				5,713	100%	5,713		5,713				5,713
63011	overlap	6,109				6,109	10%	611		611				611
63012	inside	957				957	100%	957		957				957
63017	overlap	8,646				8,646	10%	865		865				865
63019	overlap	955				955	10%	96		96				96
63021	overlap	5,133				5,133	50%	2,567		2,567				2,567
63025	overlap	1,311				1,311	50%	656		656				656
63026	inside	3,607				3,607	100%	3,607		3,607				3,607
63028	outside	4,843				4,843	0%							-
63048	overlap	917	Herculaneum (80% in)	864		53	60%	32		864				896
63049	overlap	1,511	ByrnesMill (70% in)/Pkland (in)	276		1,235	90%	1,112		276				1,388
63050	overlap	1,826	Hillsboro (out)	276		1,550	10%	155						155
63051	overlap	1,552	Scotsdale (out)	20		1,532	70%	1,072						1,072
63052	inside	2,054	Kimmswick (in)	20		2,034	100%	2,034		20				2,054
63070	overlap	871	Pevely			871	80%	697						697
63088	inside	1,266				1,266	100%	1,266						1,266
63101	inside	348				348	100%	348						348
63102	inside	183				183	100%	183						183
63103	inside	727				727	100%	727						727
63104	inside	1,412				1,412	100%	1,412						1,412
63105	inside	2,130				2,130	100%	2,130						2,130
63106	inside	722				722	100%	722						722
63107	overlap	1,211				1,211	50%	606						606
63108	inside	3,089				3,089	100%	3,089						3,089
63109	inside	5,404				5,404	100%	5,404						5,404
63110	inside	1,707				1,707	100%	1,707						1,707
63111	inside	3,062				3,062	100%	3,062						3,062
63112	inside	2,290				2,290	100%	2,290						2,290
63113	inside	1,746				1,746	100%	1,746						1,746
63115	overlap	3,655				3,655	40%	1,462						1,462
63116	inside	6,282				6,282	100%	6,282						6,282
63117	inside	1,473				1,473	100%	1,473						1,473
63118	inside	2,342				2,342	100%	2,342						2,342
63119	inside	7,187				7,187	100%	7,187						7,187

Bethesda Southgate Oakville (63129)

63120	outside	1,128			1,128	0%	-		-
63122	inside	7,763			7,763	100%	7,763		7,763
63123	inside	11,994			11,994	100%	11,994		11,994
63124	inside	2,880			2,880	100%	2,880		2,880
63125	inside	7,005			7,005	100%	7,005		7,005
63126	inside	3,676			3,676	100%	3,676		3,676
63127	inside	1,222			1,222	100%	1,222		1,222
63128	inside	6,802			6,802	100%	6,802		6,802
63129	inside	6,804			6,804	100%	6,804		6,804
63130	overlap	4,014			4,014	90%	3,613		3,613
63131	inside	3,100			3,100	100%	3,100		3,100
63132	overlap	2,171			2,171	40%	868		868
63133	overlap	743			743	40%	297		297
63139	inside	3,823			3,823	100%	3,823		3,823
63141	overlap	4,013			4,013	20%	803		803
63143	inside	1,028			1,028	100%	1,028		1,028
63144	inside	1,315			1,315	100%	1,315		1,315
63147	overlap	1,650			1,650	40%	660		660
Total		163,372			163,372				128,422

ZIP	County	Total pop.	65+
63010	Jefferson	42,934	5,713
63011	St. LouisCo	38,931	6,109
63012	Jefferson	11,306	957
63017	St. LouisCo	40,635	8,646
63019	Jefferson	4,040	955
63021	St. LouisCo	58,784	5,133
63025	St. LouisCo	13,777	1,311
63026	St. LouisCo	43,596	3,607
63028	Jefferson	27,730	4,843
63048	Jefferson	2,851	917
63049	Jefferson	15,706	1,511
63050	Jefferson	15,501	1,826
63051	Jefferson	16,029	1,552
63052	Jefferson	24,180	2,054
63070	Jefferson	6,463	871
63088	St. LouisCo	10,782	1,266
63101	St. Louis City	1,306	348
63102	St. Louis City	2,198	183
63103	St. Louis City	3,847	727
63104	St. Louis City	19,475	1,412
63105	St. LouisCo	12,389	2,130
63106	St. Louis City	6,290	722
63107	St. Louis City	10,901	1,211
63108	St. Louis City	23,020	3,089
63109	St. Louis City	34,583	5,404
63110	St. Louis City	20,208	1,707
63111	St. Louis City	23,924	3,062
63112	St. Louis City	18,261	2,290
63113	St. Louis City	11,112	1,746
63115	St. Louis City	23,174	3,655
63116	St. Louis City	55,704	6,282
63117	St. LouisCo	8,370	1,473
63118	St. Louis City	32,091	2,342
63119	St. LouisCo	32,411	7,187
63120	St. Louis City	10,805	1,128
63122	St. LouisCo	34,990	7,763
63123	St. LouisCo	46,951	11,994
63124	St. LouisCo	9,140	2,880
63125	St. LouisCo	29,933	7,005
63126	St. LouisCo	13,696	3,676
63127	St. LouisCo	3,926	1,222
63128	St. LouisCo	28,557	6,802
63129	St. LouisCo	52,838	6,804
63130	St. LouisCo	32,684	4,014
63131	St. LouisCo	15,183	3,100
63132	St. LouisCo	12,101	2,171
63133	St. LouisCo	6,059	743
63139	St. Louis City	26,983	3,823
63141	St. LouisCo	18,649	4,013
63143	St. LouisCo	9,346	1,028
63144	St. LouisCo	8,056	1,315
63147	St. Louis City	15,610	1,650
Total		1,088,016	163,372

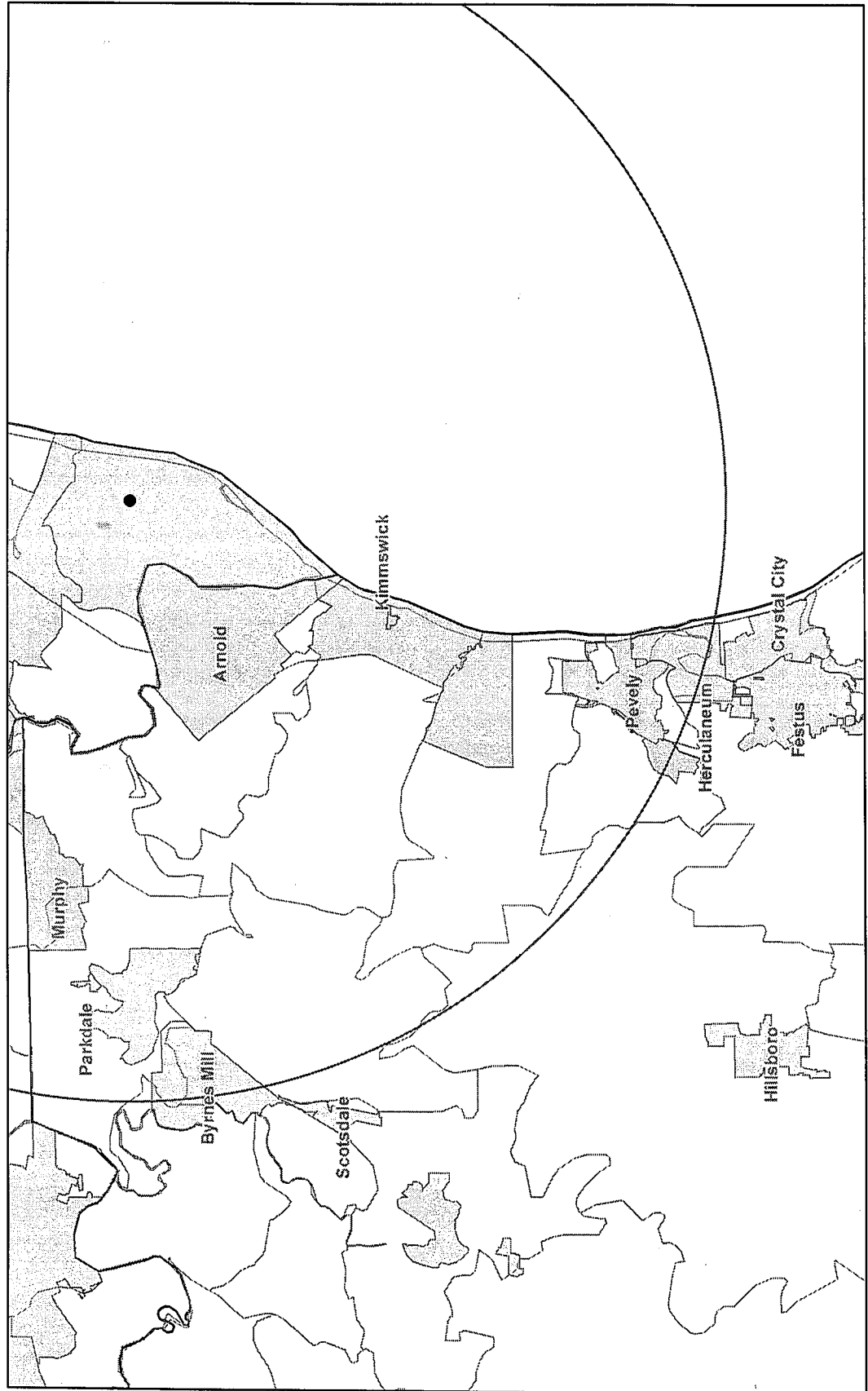
ZIP	County	City	Total pop.	65+
63010	Jefferson	Arnold city	21,227	3,436
63052	Jefferson	Arnold city	See Above	See Above
63049	Jefferson	Byrnes Mill city	3,402	345
63051	Jefferson	Byrnes Mill city	See Above	See Above
63019	Jefferson	Crystal City city	4,752	1,159
63019	Jefferson	Festus city	12,550	2,507
63028	Jefferson	Festus city	See Above	See Above
63019	Jefferson	Herculaneum city	4,177	1,080
63028	Jefferson	Herculaneum city	See Above	See Above
63048	Jefferson	Herculaneum city	See Above	See Above
63050	Jefferson	Hillsboro city	2,315	276
63052	Jefferson	Kimmswick city	113	31
63049	Jefferson	Parkdale village	196	34
63012	Jefferson	Pevely city	7,279	923
63070	Jefferson	Pevely city	See Above	See Above
63051	Jefferson	Scotsdale town	208	20
Total			56,219	9,811

Bethesda Southgate
5943 Telegraph Road
Oakville, Mo 63129



CON 15 Mile Radius (City Map)

Bethesda Southgate
5943 Telegraph Road
Oakville, Mo 63129



Bethesda Long Term Care, Inc. is seeking Certificate of Need Approval from the Missouri Health Facilities Review Committee for the addition of 12 skilled nursing beds and 18 assisted living beds to its Bethesda Southgate community at 5943 Telegraph Road, Oakville, MO 63129. Comments or questions about this matter should be addressed to Richard D. Watters, Lashly & Baer, P.C., 714 Locust Street, St. Louis, MO 63101.



October 27, 2009
Mr. Thomas R. Piper
Director of the Missouri Certificate of Need Program
P.O. Box 570
Jefferson City, Mo 65102

Dear Mr. Piper,

I am writing on behalf of Bethesda Health Group more specifically the Bethesda Southgate Campus. Abbott EMS has proudly served the Bethesda communities for over 20 years as their provider of EMS care and transportation services. The partnership we share is to assist them in providing the best patient care possible to the residents that call Bethesda Southgate home. The compassion and knowledge that is displayed daily always impresses me. The environment that exists in that facility is one of consistency and professionalism. The staff treats everyone with respect and when our crews have been surveyed the response has been, "The nurses are always helpful and give good patient reports. They know what they are doing." Their flu shot programs are really something to see. Fine tuned machine is my best description. I believe that the surrounding community really embraces Southgate and I was very excited to hear that with this growth they can welcome in even more. Great organization to work with and we are always impressed with the care they provide in all of their facilities.

Sincerely,

A handwritten signature in black ink that reads "Tracey Swabby". The signature is fluid and cursive, with the first name "Tracey" and last name "Swabby" clearly distinguishable.

Tracey A. Swabby - EMT
Abbott EMS / American Medical Response
Central Region Director of Business Development
(314) 393-4101



24/7 Helpline
800.272.3900

www.alzstf.org

St. Louis Chapter
9370 Olive Boulevard
St. Louis, MO 63132

314.432.3422 p
314.432.3824 f
800.272.3900 t

Southeast Missouri Office
2411 Abbey Road
Cape Girardeau, MO 63701

573.332.8170 p
573.332.8177 f
800.272.3900 t

Illinois Office
222 Goethe Avenue
Collinsville, IL 62234

618.346.4073 p
618.346.4075 f
800.272.3900 t

alzheimer's association®

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Vice Chair, Treasurer
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Morton Brown
Michael J. Hughes
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John Schaperkotter
Mike Schwarz
Ellen Simmons
Ann M. Steffen, Ph.D.
Ellen C. Weiss

President

Joan D'Ambrase

November 3, 2009

Mr. Thomas R. Piper, Director
Certificate of Need Program
P.O. Box 570
Jefferson City, MO 65102

Dear Mr. Piper:

The Alzheimer's Association, St. Louis Chapter is pleased and honored to write this letter in support for the planned project at Bethesda Southgate. There is a growing need for rehabilitation and assisted living communities in south suburban Saint Louis. These levels of care afford residents the opportunity to return home as able or to reside in the most homelike setting possible when additional assistance is required. The Alzheimer's Association is always supportive of choices that expand the options available to the clients we serve and their families. Both elements proposed in the Southgate project are cost effective alternatives when skilled nursing is not required. Bethesda has a proud tradition of being very good corporate neighbors in the communities in which they are located.

As Director of the Alzheimer's Association Education Institute, my staff and I have had the privilege of interacting frequently with Bethesda Southgate staff during trainings, visits and in-services. They are deeply committed to providing their staff with the education and tools necessary to deliver person centered services to their residents. Their community service includes a very enthusiastic presence at the Annual Memory Walks that we sponsor to raise funds to cure Alzheimer's disease, but their community services go well beyond that as they host programs and offer an outlet for volunteerism. It is with confidence that I commend Bethesda Southgate and Christine E. Crouch, R.N., Vice President and Administrator and her committed staff at the Southgate facility for every consideration relative to the determination of need for rehabilitative and assisted living services. Our population of elders is living longer and experiencing more stages of wellness and illness. We need to rely on our most experienced providers to create the healing and quality lifestyle environments our elders demand and deserve.

Thank you for the opportunity to express this support.

Sincerely,


Janis McGillick, MA, LNHA
Education Director

cc: Zoe Dearing
Christine E. Crouch



eldersupport
SERVICES, INC.

(p) 314.989.1000
(e) ess301e@aol.com

November 3, 2009

Dear Mr. Piper,

I am a Geriatric Care Manager serving clients in St. Louis city and county. One aspect of my job is to advise clients regarding moving to facilities where they can receive the care they need at the most appropriate level. I have no association or affiliation with any organization, corporation, or facility. I am in independent practice and can recommend the places with which I feel most comfortable in terms of care, location, and other qualities and amenities.

I am writing this letter because I heartily support the expansion of services at Bethesda Southgate. It is an excellent facility now, but is usually at full capacity when I call to find a place for clients needing Medicare skilled nursing and therapy. I have had to refer to other facilities when I would have preferred the excellent care at Bethesda Southgate. Before my seven years of geriatric care management, I worked in skilled nursing, assisted living, and rehabilitation so I recognize excellence in nursing care, particularly as provided in a long term setting. Ms Crouch and her staff provide excellent care delivered with kindness and compassion.

Within the last two months, I had to steer a client and his family to another facility in south county for assisted living when I would have encouraged them to consider Bethesda Southgate had they offered assisted living. There are many older people who need the oversight and help with their activities of daily living, but do not need the nursing care provided in a nursing home. Assisted living fills this need while allowing the residents a social atmosphere and emphasis on retaining as much independence as possible.

As the baby boomers age, the need will only increase. I hope Bethesda Southgate gets the support necessary to expand the services they provide. Thank you for whatever you can do to help, Mr. Piper.

Sincerely,

Ursula Shaner, BSN, RN



eldersupport
SERVICES, INC.

Ursula Shaner, RN, BSN
Geriatric Care Manager

(p) 314.989.1000
(e) ess301e@aol.com

539 Virginia
St. Louis, MO 63119

Member of the National
Association of Professional
Geriatric Care Managers





Omnicare, Inc.

Gateway/Midwest Region
345 Dunn Road
Florissant, MO 63031
314/921-4242
800/844-6622
314/921-3514 Fax

October 28, 2009

Missouri Certificate of Need Program
Thomas R. Piper, Director
P.O. Box 570
Jefferson City, MO 65102

RE: Bethesda Southgate

Dear Mr. Piper:

I have had the pleasure of working with the Bethesda Health Group and their team at Southgate over the last four years, and I must say they are first class. A few characteristics that I feel make them stand out above the rest:

- **Longevity of the Administrative staff.** Chris Crouch, Administrator and Karen Zurick, Director of Nursing have been there for many years. Their commitment to Long Term Care and their residents contributes to their success.
- **Being pro-active, not re-active.** They are always looking for new and improved ways to service their clients. They don't wait for annual survey, there is on going Quality Assurance meetings. Also, they are leaders in the industry with electronic medical records and person centered care.
- **Investing in employees.** They send their employees to seminars for training and educational support to ensure patient care. This contributes to the longevity of their staff and the satisfaction of their residents.
- **Patient Care.** When patients enter Southgate's Rehab care, their goal is to get them back on their feet and back home. Their success rate brings customers back when they need skilled care. If clients need professional support, but don't require skilled care, an assisted living facility on the Bethesda Southgate campus would be ideal. This will offer a continuum of care for the residents of south St. Louis County.

Please work with Bethesda Southgate so they can continue being leaders in the Assisted Living and Long Term Care industry.

Sincerely,

Amy Porter
Director of Business Operations
Interlock Pharmacy Systems

October 29, 2009

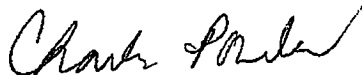
Mr. Thomas R. Piper, Director
Missouri Certificate of Need Program
P. O. Box 570
Jefferson City, MO 65102

Dear Mr. Piper:

I would like to let you know that I am supporting the expansion of services at Bethesda Southgate. The staff provide care with dignity and respect. Southgate is an important part of the South County Community. Any additional services that can be provided by this organization will be a help to the people of the community.

Thank you for considering my opinion.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles Piper".

October 29, 2009

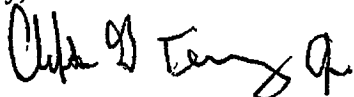
Mr. Thomas R. Piper, Director
Missouri Certificate of Need Program
P. O. Box 570
Jefferson City, MO 65102

Dear Mr. Piper:

I would like to let you know that I am supporting the expansion of services at Bethesda Southgate. The staff provide care with dignity and respect. Southgate is an important part of the South County Community. Any additional services that can be provided by this organization will be a help to the people of the community.

Thank you for considering my opinion.

Sincerely,

A handwritten signature in black ink, appearing to read "Cliff G. Terry". The signature is written in a cursive, flowing style.


October 27, 2009

Missouri Certificate of Need Program
Thomas R. Piper, Director
P.O. Box 570
Jefferson City, MO 65102

Dear Mr. Piper:

I am writing this letter in support of the Southgate Project. I have many Residents I care for who go to Southgate. The new additions they are proposing will be a great benefit to my Residents, as well as the community.

Sincerely,



Roshan Sabar, M.D.

RS/dr

DIVIDER III: Service Specific Criteria and Standards

- 2. For ICF/SNF beds, address the population-based bed need methodology of fifty-three (53) beds per one thousand (1,000) population age sixty-five (65) and older.**

The population-based bed-need methodology is stated by the formula:

Unmet need = $(R \times P) - U$, where:

P = Year 2015 65+ population in 15 mile radius

U = Number of existing and approved SNF/ICF beds in 15 mile radius

R = .053

The 2015 65+ population in the 15 mile radius is 128,422. The number of existing and approved SNF/ICF beds in the 15 mile radius, as shown on the attached facilities list, is 6921. The 65+ population and facilities list were approved by Donna Schuessler, Health Planning Specialist with the Missouri Health Facilities Review Committee.

Applying the formula results in:

Unmet need = $(.053 \times 128,422) - 6921$

Unmet need = - 115 beds (surplus)

However, this "surplus" does not represent the true need for additional short-term rehabilitation skilled nursing beds in South Saint Louis County. As Janis McGillick, Education Director of the Alzheimer's Association, St. Louis Chapter, wrote in her letter of support for this project, "There is a growing need for rehabilitation communities...in south suburban St. Louis." Applicant's rehabilitation service typically runs at capacity, and Applicant has had to turn potential residents away. See letter of support from Ursula Shaner, BSN, RN, Geriatric Care Manager with Elder Support Services, Inc., who recommends Applicant's services to seniors, and wrote that Bethesda Southgate's skilled nursing service is usually at full capacity.

The inventory of existing beds includes 585 ICF beds. These beds cannot be used for Medicare patients or rehabilitation patients. If these are deducted from the inventory, then there is a shortfall or need for 670 SNF beds.

Finally, Applicant's experience with a similar community, Bethesda Dilworth, in Kirkwood, is that the demand for private rehabilitation beds is strong—and growing. Applicant converted Bethesda Dilworth's 36 semi-private rehabilitation beds into 48 private rehabilitation beds, and saw a quick fill-up process. Applicant anticipates a similar response to its addition of private rehabilitation beds at Southgate.

- 2. For RCF/ALF beds, address the population-based bed need methodology of twenty-five (25) beds per one thousand (1,000) population age sixty-five (65) and older.**

Not applicable.

2. **Document any alternate need methodology used to determine the need for additional beds such as LTCH, Alzheimer's, mental health or other specialty beds.**

Not applicable.

2. **For any proposed facility which is designed and operated exclusively for persons with acquired human immunodeficiency syndrome (AIDS) provide information to justify the need for the type of beds being proposed.**

Not applicable.



L A S H L Y & B A E R, P. C.

Bethesda Southgate SNF/ICF Beds within 15 miles of project site:

Facility	SNF beds	ICF Beds
Cori Manor	124	
Sounty County Nursing Home	153	
Woodland Manor	178	
Alexian Bros Sherbrooke Vill	120	
Ashfield	58 (approved)	
Barnes Jewish Extended Care	120	
Bethesda Dilworth	430	
Bethesda Southgate	180	
Big Bend Woods	176	
Community Care Ctr of Lemay	105	
Delmar Gardens South	250	
Delmar Gardens of Meramec Valley	190	
Des Peres Hcare and Rehab	111	
Fleser Nursing Center		60
Friendship Village of South County	118	
Garden View Care Ctr at Dougherty Ferry	120	
Green Park	188	
Lutheran Convalescent Home	234	
Lutheran Senior Services at Meramec Bluffs	88	
Manor Grove	117	
Mary Culver Home		28
Mary Queen and Mother Center	230	
McKnight Place Extended Care	79	
Nazareth Living Center	140	
Peace Haven Association		42
South Co Senior Care Assoc	216	
St Agnes home		150
St John's	120	
Sunrise Des Peres		102
Sunrise Clayton		90
Sunset Hills	167	
Sunshine Manor	130	
U-City Forest Manor	120	
Alexian Bros Landsdowne	180	
Avalon Garden	77	
Beauvais Manor	184	
Bernard Care Ctr	141	
Carrie Elligson Geitner	120	
Charless	30	

{LB-00318245.DOC-1}Attorneys at Law

714 Locust Street Saint Louis, Missouri 63101-1699 Telephone 314.621.2939

20 East Main Street Belleville, Illinois 62220-1602 Telephone 618.233.5587

Facsimile 314.621.6844 www.lashlybaer.com

Delhaven	156	
Dutchtown	120	
Garrison	90	
Grand Manor	120	
Life Care Center	100	
Little Sisters of the Poor		67
Northview	310	
Oak Park	120	
Parkside	168	
Riverview	130	
Springplace	28	
St Louis Altenhelm		46
Total	6336	585
TOTAL	6921	

DIVIDER IV: Financial Feasibility Review Criteria & Standards

- 1. Document that the proposed costs per square foot are reasonable when compared to the latest "RS Means Construction Cost Data."**

The cost per square foot of the 12 bed expansion (\$188) is slightly above the RS Means Construction Cost data for nursing homes in the St. Louis area (\$179.05). The additional cost is attributable to the construction of private rooms with private bathrooms for each resident, instead semi-private rooms with shared bathrooms. In addition, this project includes state-of-the-art furnishings.

- 2. Document that sufficient financing is available by providing a letter from a financial institution or an auditors statement indicating that sufficient funds are available.**

As evidenced in the balance sheet dated June 30, 2009, the corporation has sufficient assets available to fund the project. The company holds approximately \$62 million of investments which can be used to fund the project (Assets limited to use, \$10,215,864, plus Assets limited to use, net of amount required to meet current obligations, \$51,912,271).

- 3. Provide Service-Specific Revenues and Expenses (Form MO 580-1865) projected through three (3) years beyond project completion.**

Please see attached.

- 4. Document how patient charges were derived.**

Patient charges are based on our historical reimbursement based on patient mix.

- 5. Document responsiveness to the needs of the medically indigent.**

Bethesda Long Term Care, Inc. strives to meet the needs of the medically indigent. Applicant has a history of giving, and has a program for helping residents who need care but cannot afford it. Applicant has never turned away a resident who has exhausted all their financial resources. In the past three years, Applicant has provided \$20,887,700 of financial aid to its residents. A copy of Applicant's financial assistance policy is also attached.

**BETHESDA HEALTH GROUP, INC.
AND SUBSIDIARIES**

**Combined Balance Sheets
June 30, 2009 and 2008**

ASSETS	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ 1,402,990	1,022,316
Assets limited as to use	10,215,864	11,457,552
Service accounts receivable, net of the estimated allowance for uncollectible accounts of \$875,000 for 2009 and 2008	5,886,436	2,726,800
Other current assets	<u>1,232,804</u>	<u>1,093,687</u>
Total current assets	<u>18,738,094</u>	<u>16,300,355</u>
Assets limited as to use, net of amount required to meet current obligations	51,912,271	77,273,503
Property, plant and equipment, net	100,080,586	91,628,299
Other assets	<u>1,228,053</u>	<u>1,249,213</u>
Total assets	<u>\$ 171,959,004</u>	<u>186,451,370</u>

LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	1,120,000	1,060,000
Accounts payable	2,145,278	1,744,944
Accrued expenses	4,879,202	4,943,766
Other current liabilities	<u>2,071,384</u>	<u>3,708,842</u>
Total current liabilities	<u>10,215,864</u>	<u>11,457,552</u>
Long-term debt, less current maturities	67,370,000	68,490,000
Life residents' fees	37,762,658	37,962,761
Other liabilities	<u>12,439,916</u>	<u>5,617,064</u>
Total liabilities	<u>127,788,438</u>	<u>123,527,377</u>
Net assets - unrestricted		
Unrestricted	44,170,566	61,572,096
Temporarily restricted	<u>-</u>	<u>1,351,897</u>
Total net assets	<u>44,170,566</u>	<u>62,923,993</u>
Total liabilities and net assets	<u>\$ 171,959,004</u>	<u>186,451,370</u>



Certificate of Need Program

SERVICE-SPECIFIC REVENUES AND EXPENSES**Historical Financial Data for Latest Three Years plus
Projections Through Three Years Beyond Project Completion**

(Use an individual form for each affected service with a
sufficient number of copies of this form to cover entire period,
and fill in the years in the appropriate blanks.)

	Year		
	2007	2008	2009
Amount of Utilization:*	56,631	55,038	55,638
Revenue:			
Average Charge**	\$184	\$200	\$205
Gross Revenue	\$10,420,104	\$11,006,499	\$11,381,866
Revenue Deductions	1,292,827	1,136,590	1,141,405
Operating Revenue	9,127,277	9,869,909	10,240,461
Other Revenue	135,806	126,524	138,626
TOTAL REVENUE	\$9,263,083	\$9,996,433	\$10,379,087
Expenses:			
Direct Expense			
Salaries	4,795,000	5,045,000	5,146,000
Fees	0	0	0
Supplies	982,000	1,004,000	1,025,000
Other	2,265,404	2,642,392	2,743,611
TOTAL DIRECT	\$8,042,404	\$8,691,392	\$8,914,611
Indirect Expense			
Depreciation	642,834	634,805	650,765
Interest***	0	0	0
Overhead****	0	0	0
TOTAL INDIRECT	\$642,834	\$634,805	\$650,765
TOTAL EXPENSE	\$8,685,238	\$9,326,197	\$9,565,376
NET INCOME (LOSS):	\$577,845	\$670,236	\$813,711

* Utilization will be measured in "patient days" for licensed beds, "procedures" for equipment, or other appropriate units of measure specific to the service affected.

** Indicate how the average charge/procedure was calculated.

*** Only on long term debt, not construction.

**** Indicate how overhead was calculated.



Certificate of Need Program

SERVICE-SPECIFIC REVENUES AND EXPENSES

Historical Financial Data for Latest Three Years plus Projections Through Three Years Beyond Project Completion

(Use an individual form for each affected service with a sufficient number of copies of this form to cover entire period, and fill in the years in the appropriate blanks.)

	Year		
	2011	2012	2013
Amount of Utilization:*	59,495	61,685	61,685
Revenue:			
Average Charge**	\$226	\$234	\$234
Gross Revenue	\$13,429,806	\$14,405,298	\$14,462,048
Revenue Deductions	1,439,000	1,439,000	1,439,000
Operating Revenue	11,990,806	12,966,298	13,023,048
Other Revenue	138,000	138,000	138,000
TOTAL REVENUE	\$12,128,806	\$13,104,298	\$13,161,048
Expenses:			
Direct Expense			
Salaries	5,455,000	5,735,000	5,750,000
Fees	0	0	0
Supplies	1,190,000	1,226,000	1,263,000
Other	3,115,000	3,415,000	3,399,000
TOTAL DIRECT	\$9,760,000	\$10,376,000	\$10,412,000
Indirect Expense			
Depreciation	938,000	1,200,000	1,200,000
Interest***	0	0	0
Overhead****	0	0	0
TOTAL INDIRECT	\$938,000	\$1,200,000	\$1,200,000
TOTAL EXPENSE	\$10,698,000	\$11,576,000	\$11,612,000
NET INCOME (LOSS):	\$1,430,806	\$1,528,298	\$1,549,048

* Utilization will be measured in "patient days" for licensed beds, "procedures" for equipment, or other appropriate units of measure specific to the service affected.

** Indicate how the average charge/procedure was calculated.

*** Only on long term debt, not construction.

**** Indicate how overhead was calculated.

**BETHESDA HEALTH GROUP, INC.
CORPORATE
POLICY AND PROCEDURE**

DEPARTMENT: Administration
SUBJECT: Financial Assistance

PAGE NO.: 1 of 3
EFFECTIVE DATE: 09/95
REVISED: 11/03

PURPOSE:

To clearly establish the guidelines for providing financial assistance to those residents who demonstrate the need.

SCOPE:

Level 1 Policy affecting all residences/services within Bethesda Health Group, Inc. and its affiliates ("Bethesda").

RESPONSIBILITY:

It is the primary responsibility of the Administrators/General Managers to initiate this Policy/Procedure.

The Financial Assistance Committee of Bethesda Health Group, Inc. will be responsible for the implementation.

POLICY:

Directed by the Corporate Resolution of Bethesda Health Group, Inc., dated September 29, 1995, reaffirmed and modified on June 24, 1999, the Corporation resolves to provide charitable assistance to those seeking or receiving services from a Bethesda affiliated corporation who are unable to pay, or to continue to pay, the full cost of such services. "Charitable assistance" shall be known as "financial assistance" to eliminate the stigma of the word "charity" to the individuals requesting financial assistance. (Minutes of Financial Assistance Committee, February 8, 2000)

PROCEDURE:

The following procedure is adopted from the "Procedure for Implementation of Charitable Assistance Policy" approved by the Directors of Bethesda Health Group, Inc. on June 24, 1999.

ADMISSION:

- I. During the process of familiarizing a prospective resident or patient (hereinafter referred to as "a prospective resident") with a residence operated by Bethesda, or during the admission process, the person conducting such familiarization or process shall indicate to the prospective resident that Bethesda has a Financial Assistance Policy available, should the prospective resident be unable to pay the full charges of such residence.
- II. In the event that the prospective resident wishes to apply for financial assistance, the prospective resident should be given an Application for Financial Assistance (sample attached) and asked to complete and return the Financial Information Section. The application, together with such further information as the applicant may be requested to supply. The application must be complete in order to be processed.

DEPARTMENT: Administration
SUBJECT: Financial Assistance

PAGE NO.: 2 of 3
EFFECTIVE DATE: 09/95
REVISED: 11/03

- III. Upon return of the Financial Information Section, and such other information as may have been requested (hereinafter collectively referred to as the "Application"), the person having primary responsibility for the day-to-day management (hereinafter the "Manager") of Bethesda's residence/service from which charitable assistance has been requested, shall review the Application and make a preliminary determination of the need of such prospective resident for financial assistance and shall make a recommendation of the nature and amount of financial assistance to be provided. If the Manager shall determine that, by reason of the extent of the assets and income of the prospective resident, financial assistance is not appropriate, the recommendation of such Manager shall be that financial assistance not be offered, and the reason for such recommendation shall be stated.
- IV. The Application of a prospective resident of a senior living facility or skilled nursing facility operated by Bethesda and the recommendation of the Manager of such facility shall be forwarded to the Vice President – Senior Living Division, or to the Vice President - Long Term Care Division, as appropriate, for his/her recommendation.

An application submitted by persons seeking financial assistance from a Bethesda corporation which does not provide senior living nor skilled nursing services, and the recommendation of the Manager of such corporation, shall be forwarded to the Vice President designated by the President and Chief Executive Officer. Such Vice President shall determine whether or not he/she concurs with such recommendation, and if not, he/she shall make his/her own recommendation.

- V. All Applications for financial assistance, and the recommendations with respect to such Applications, shall be presented to the next meeting of the Financial Assistance Committee of Bethesda Health Group, Inc., and the final determination shall be made by the Financial Assistance Committee of the amount and nature of the charitable assistance, if any, to be offered.

The determination of the Financial Assistance Committee shall be communicated to the Manager of the Bethesda facility or corporation from which financial assistance was sought, and such Manager shall communicate such determination to the party seeking financial assistance using the approved notification letter (See I. under Approval Notification).

CURRENT RESIDENTS:

- I. In the event that a current resident of Bethesda, shall, at any time, indicate an inability to continue to pay the full costs of the services being provided to such resident, the procedure described above shall be followed to determine the financial assistance, if any, to be provided to such resident.

APPROVAL NOTIFICATION:

- I. After approval by the Financial Assistance Committee the resident and/or family will be notified through a standardized notification letter (sample attached) which is generated by the Administrator/Manager of the facility.

DEPARTMENT: Administration
SUBJECT: Financial Assistance

PAGE NO.: 3 of 3
EFFECTIVE DATE: 09/95
REVISED: 11/03

DOCUMENTATION:

- I. A secretary, appointed by the Financial Assistance Committee, will record minutes of all meetings of the Committee.
- II. A listing of all residents receiving financial assistance will be maintained by the Secretary and housed in the same document as the minutes.
- III. An annual review of the list will be done to validate its continued accuracy.

MEETINGS:

- I. Meetings will be called as the need is demonstrated.
- II. At a minimum, an annual meeting will be held to review the past year's activities and verify the committee records.

APPROVAL:

This Policy is approved by:

Shared File Copy Only Copy of signed policy available in Corporate Policy Manual or at Corporate Office

John W. Rowe
President and Chief Executive Officer

BETHESDA HEALTH GROUP, INC.
LONG TERM CARE DIVISION
FINANCIAL ASSISTANCE REQUEST FORM

Resident's Name: _____ Guarantor's Name: _____

Facility: _____ Date: _____

Monthly Income: _____ Assets: _____

Social Security:	\$ _____	Home Value:	\$ _____
Pension 1:	\$ _____	Stocks / Bonds:	\$ _____
Pension 2:	\$ _____	Cash/ Equivalents:	\$ _____
Other Income:	\$ _____	Real Estate:	\$ _____
Family Support:	\$ _____	Other:	\$ _____
Total:	\$ _____	Total:	\$ _____

Check here if spouse or other dependent(s) living in home listed above: _____

Print Name: _____ Signature: _____

For Office Use Only:

Would Resident appear to qualify for Medicaid? YES: _____ NO: _____

Administrator's Signature: _____ Date: _____

Note: Please attach Statement of Financial Condition of Applicant

Level of Care:	_____
Original Date of Admission:	_____
Monthly Rate:	\$ _____
3 Mo. Avg. Ancillaries:	\$ _____
Avg. Monthly Cost:	\$ _____
Resident Monthly Income:	\$ _____
Family Supplement:	\$ _____
Medicaid Cash Grant:	\$ _____
Total Income:	\$ _____

Financial Assistance Required: \$ _____

Committee Approval: YES _____ NO _____

Committee Signature: _____ Date: _____

Updated: 11/03

Date

Name

Address

City, State Zip

RE: Name of applicant

Dear:

I am pleased to report that the Bethesda Health Group Financial Assistance Committee has reviewed applicant's name application for assistance. The Committee has agreed to assist applicant's name so that he/she will be allowed to continue his/her stay at Bethesda name of residence.

At this time, we can make no guarantee as to the length of time this assistance will be available. In the event that we are unable to continue this assistance we will work with you to the best of our ability.

As responsible party for applicant's name, we require that you continue to partially pay for applicant's name with his/her funds such as Social Security, pensions and other income services. If applicant's name's circumstances should change in that he/she is able to pay for more or all of his/her care, we will expect these additional funds be used for his/her stay at Bethesda name of residence.

If these terms are acceptable to you, please sign where indicated below. I look forward to our continued relationship and please do not hesitate to contact me if you have any questions.

Sincerely,

Administrator/General Manager

I, _____, agree to the above terms in relation to applicant's name.

Signature: _____ Date: _____

Date

Name

Address

City, State Zip

RE: Name of applicant

Dear:

The Bethesda Health Group Financial Assistance Committee has reviewed your Financial Assistance Request for applicant's name. The Committee considered the request carefully but was unable to approve Financial Assistance for applicant's name.

There may be other options available and we will assist you, if needed, in finding the best alternative for you or your loved one. Please let me know if there is anything further with which I may assist you.

Sincerely,

Administrator/General Manager

cc: File



LASHLY & BAER, P.C.
ATTORNEYS AT LAW

MISSOURI

714 Locust Street
St. Louis, MO 63101-1699
TEL: 314 621.2939
FAX: 314 621.6844
www.lashlybaer.com

ILLINOIS

20 East Main Street
Belleville, IL 62220-1602
TEL: 618 233.5587
By Appointment Only

January 13, 2010

MARGARET C. SCAVOTTO
(314) 436-8302
m scavotto@lashlybaer.com
Licensed in Missouri and Illinois

Donna Schuessler
Health Planning Specialist
Missouri Health Facilities Review Committee
VIA EMAIL

**Re: #4437 NS: Bethesda Southgate
\$1,483,200, Add 12 SNF Beds
Response to Request for Additional Information**

Dear Donna:

In your letter dated January 7, 2010, you requested some additional information about the above-referenced project:

- Please provide projected utilization for 2010. Also provide 2010 financial data on the Service-Specific Revenues and Expenses Form.

Response: A Service-Specific Revenues and Expenses form showing 2010 financial data is attached. As indicated on this form, utilization for 2010 is 54,459.

Please let me know if I can be of further assistance. Thank you for your time.

Very truly yours,


Margaret C. Scavotto

MCS/dk

Enclosure



Certificate of Need Program

SERVICE-SPECIFIC REVENUES AND EXPENSES**Historical Financial Data for Latest Three Years plus
Projections Through Three Years Beyond Project Completion**

(Use an individual form for each affected service with a
sufficient number of copies of this form to cover entire period,
and fill in the years in the appropriate blanks.)

	Year		
	2010	20??	20??
Amount of Utilization:*	54,459	0	0
Revenue:			
Average Charge**	\$222	\$0	\$0
Gross Revenue	\$12,116,038	\$0	\$0
Revenue Deductions	1,487,000	0	0
Operating Revenue	10,629,038	0	0
Other Revenue	123,000	0	0
TOTAL REVENUE	\$10,752,038	\$0	\$0
Expenses:			
Direct Expense			
Salaries	5,248,000	0	0
Fees	0	0	0
Supplies	1,071,000	0	0
Other	2,612,000	0	0
TOTAL DIRECT	\$8,931,000	\$0	\$0
Indirect Expense			
Depreciation	680,000	0	0
Interest***	0	0	0
Overhead****	0	0	0
TOTAL INDIRECT	\$680,000	\$0	\$0
TOTAL EXPENSE	\$9,611,000	\$0	\$0
NET INCOME (LOSS):	\$1,141,038	\$0	\$0

* Utilization will be measured in "patient days" for licensed beds, "procedures" for equipment, or other appropriate units of measure specific to the service affected.

** Indicate how the average charge/procedure was calculated.

*** Only on long term debt, not construction.

**** Indicate how overhead was calculated.

CAPITOL OFFICE
STATE CAPITOL, ROOM 428
JEFFERSON CITY, MO 65101
TELEPHONE (573) 751-2315
FAX (573) 751-1735
JLEMBKE@SENATE.MO.GOV



DISTRICT OFFICE
5714 S. LINDBERGH BLVD.
ST. LOUIS, MO 63123
TELEPHONE (314) 849-0089

MISSOURI SENATE

JEFFERSON CITY

JIM LEMBKE

1ST DISTRICT

CERTIFICATE OF NEED PROGRAM

JAN 19 2010

RECEIVED

January 14, 2010

Thomas Piper, Director
Certificate of Need Program
Missouri Health Facilities Review
Committee
P.O. Box 570
Jefferson City, MO 65102

Dear Mr. Piper:

I recently met with Mr. Mike Roth of Alexian Brothers Sherbrooke Village about the facility's plans for expanding the facility by 63 beds. Among the additional beds will be 12 skilled nursing beds that are to be used for hospice care.

Alexian Brothers has been serving the community for over 140 years. Sherbrooke Village has been in South St. Louis County community for over 20 years, employing at present 235 people. This expansion would increase staff by 75, which not only provides much needed job opportunities for our area but provides nationally recognized end of life counseling and services in a more comfortable, dignified setting. The expansion is planned in the neighborhood model, replacing the current institutional model. Alexian Brothers has the only PACE program in the state servicing the elderly.

I have visited this facility a number of times and I understand why they operate at either close or full capacity. Our community needs more services of this type and of this high standard and I fully support their proposed project. I ask you give their application consideration and I urge you to grant their request for Certificate of Need.

If you would like to discuss this with me further, please don't hesitate to contact my office. Thank you for the opportunity to offer my comments and support.

Best regards,

A handwritten signature of Senator Jim Lembke in dark ink, written over a faint, larger signature that appears to be "Lembke".

Senator Jim Lembke

Cc: Mr. R. Watters
Mike Roth

"Serving the people of Missouri's 1st District"

CAPITOL OFFICE
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MISSOURI SENATE

JEFFERSON CITY

JIM LEMBKE

1ST DISTRICT

CERTIFICATE OF NEED PROGRAM

JAN 26 2010

RECEIVED

January 20, 2010

Thomas Piper, Director
CON Program
MO Health Facilities Review Committee
P.O. Box 570
Jefferson City, MO 65102

RE: Bethesda Southgate; Project 4442RS
18 Assisted Living Facility Beds

Dear Mr. Piper:

This letter is in support of Bethesda Southgate's request to add 12 SNF beds to their existing 24-bed Medicare certified unit which will be completely renovated and modernized. This renovated 36-bed unit will consist of all private rooms, the demand for which is constantly increasing. The 18 additional beds should help alleviate any capacity problems experienced in the past due to the need to assign rooms by gender, condition and resident preference.

Since acquiring the Southgate facility in the late 1990s, Bethesda has continuously applied their values of integrity, dignity and diversity, generosity and quality to that campus. Their generosity is evident in their providing of \$6-7 million in charity care. Bethesda has never discharged a resident from any of their facilities for inability to pay. Their Joint Commission accreditation is a testimony to their commitment to quality as well as the voluntary independent survey conducted to measure the satisfaction of their residents, families and employees. The facility received high scores on all the surveys. I have personally visited Bethesda Southgate, spoke with residents and staff who expressed their satisfaction with the facility and its services.

There is a great need for quality assisted living facilities in our area. I believe that this expansion at Southgate will respond to that need and I urge you to approve their application.

Sincerely,

A handwritten signature in cursive script that reads "Jim Lembke".

Senator Jim Lembke

"Serving the people of Missouri's 1st District"

CAPITOL OFFICE

201 West Capitol Avenue
Jefferson City, MO 65101-6806
Tele: (573) 751-9804
Fax: (573) 526-4767
sue.schoemehl@house.mo.gov



#4437NS

DISTRICT OFFICE

2629 Bluff Ridge Drive
St. Louis, MO 63129
(314) 846-7713

SUE SCHOEMEHL

State Representative
District 100

CERTIFICATE OF NEED PROGRAM

JAN 28 2010

RECEIVED

January 21, 2010

Mr. Thomas R Piper, Director
Certificate of Need Program
Missouri Health Facilities Review Committee
Post Office Box 570
Jefferson City, MO 65102

Re: Bethesda Southgate; Project #4437NS
Add Twelve (12) SNF Beds

Dear Mr. Piper:

This letter is in support of Bethesda Southgate's request to add twelve (12) SNF beds to their existing twenty-four bed Medicare certified unit which will be completely renovated and modernized. The renovated unit of thirty-six (36) beds will consist of all private rooms. This is a trend for newly constructed or renovated healthcare facilities and certainly seems to be a demand of the "Baby Boomers". It is my understanding that in the past they have met capacity because of the need to assign rooms by gender, condition and resident preference. Having the twelve additional beds should alleviate this situation.

Since acquisition of the Southgate facility in the late 1990s Bethesda has continuously applied their values of integrity, dignity, diversity, generosity and quality to that campus. Their generosity is evident in that Bethesda provides \$6-7M annually for charity care. Bethesda has never discharged a resident from any of their facilities if they are unable to pay. Their Joint Commission accreditation is a testimony to their commitment to quality along with the fact they voluntarily use an independent survey program to do satisfaction surveys of their residents, resident families and employees. They have enjoyed high scores on all their surveys. I visit the Southgate campus regularly, attending their functions that celebrate their residents and know, firsthand, that they have a quality facility.

These additional beds will be used for short stay residents only and should not impact any need for long term custodial type of beds. For this reason I am asking that you approve this project.

Sincerely,

A handwritten signature in cursive script that reads "Sue Schoemehl".

Sue Schoemehl
District 100

COMMITTEES

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